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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

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| Proceeding | 92054855 |
| Party | Defendant<br>Fashion Exchange, LLC |
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| Date | 03/01/2012 |
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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**
**BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

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| Hybrid Promotions, LLC,<br><br>Petitioner<br><br>V.<br><br>Fashion Exchange, LLC,<br><br>Registrant | ) | Cancellation No. 92054855 |

**MOTION TO VACATE NOTICE OF DEFAULT AND OPPOSE ENTRY OF DEFAULT JUDGMENT ON CONSENT**

Respondent Fashion Exchange, LLC, moves to vacate the notice of default and oppose the entry of default judgment pursuant to Fed. R. Civ. P. 55(c) and Fed. R. Civ. P. 60(b). The Respondent's default is excusable and the Respondent has meritorious defenses as discussed *infra*. The Motion will be based on the papers and records on file herein, and on such oral and documentary evidence as may be presented at the hearing of the Motion.

**FACTUAL BACKGROUND**

The Respondent is engaged in the apparel industry since September, 2003. The Respondent began using the Mark Hybrid & Company (hereinafter "Mark") as early as March of 2006. On June 5, 2008, the Respondent filed an application to register the Mark. Throughout the application process, the Petitioner failed to oppose the registration of the Mark. The Mark was registered on December 8, 2009. The Petitioner filed a trademark application for Hybrid (hereinafter "Logo") on February 17, 2011, which is more than 2 years and 8 months after the filing of Respondent's application and more than one year and two months following the

registration of Respondent's Mark. As of present time, the Petitioner's Logo has not yet been registered. The Respondent has invested a lot of money and resources in order to build the reputation of its Mark.

**A DEFAULT JUDGMENT SHOULD BE DENIED**

**DEFAULT JUDGMENTS ARE DISFAVORED BY THE COURTS**

Rule 55(a) of the Federal Rules of Civil Procedure governs the entry of default judgments. When a Plaintiff moves for entry of a default judgment, the federal courts regard Defendant's opposition to the motion as a motion to set aside a default judgment; In such instance, Rule 55(c) governs the resolution of the issue. See *Kuhlik v. Atlantic Corp. Inc.,* 112 F.R.D. 146 (S.D.N.Y. 1986)*; United Coin Meter Co. Inc. v. Seaboard Coastline R.R.*, 705 F.2d 839 (6th Cir. 1983)*; Breuer Electric Mfg. Co. v. Toronado Systems ofAmerica, Inc.*, 687 F.2d 182 (7th Cir. 1982)*; Meehan v. Snow*, 652 F.2d 274 (2nd Cir. 1981). Rule 55(c) allows the district court to set aside an entry of default "for good cause shown." See F.R.C.P. 55(c).

Default judgments are not favorites of the law and should be avoided when possible. See *Marshall v. Boyd, 658* F.2d *552, 554* (8th Cir. 1981); *Schwab v. Bullock's Inc., 508* F.2d 353 *355* (9th Cir. 1974); See also, Vol. bA, *Wright, Miller & Kane, Cooper, Federal Practice and Procedure,* §2693 at ppg. 99-101, n. 18-19. (and cases cited therein). While Rule *55* sets forth the concept of efficient and expeditious disposition of litigation, courts have recognized as well that the interests of justice are best served when cases are resolved on the merits. See *Oberstar v.* ED. I.C, 987 F.2d 494, 504 (8th Cir. 1993). One reason behind this sound distinction is the recognition that a party who promptly attacks an entry of default rather than waiting for a grant of default judgment under Rule 55(b) likely failed to act due to oversight but wants to defend the case on the merits. See *Johnson v. Dayton Electric Manufacturing Co.*, 140 F.3d 781 (8th Cir.

1998).

Rule 60(b), which provides for relief from defaults and default judgments, must be liberally applied, and whenever possible, cases should be decided on their merits. *Schwab v. Bullock's Inc.,* 508 F.2d at 355. When a default in appearance, but not a default judgment, has been entered, the standard for setting aside the default in appearance is less rigorous than the standard for setting aside a default judgment. *Meehan v. Snow,* 652 F.2d 274, 276-277 (2nd Cir. 1981); *Matter of Bernstein,* 113 B.R. 172, 174 (Bankr. D.N.J. 1990). An Opposition to a motion for a default judgment can be treated as a motion to set aside default, despite the absence of a formal motion. *Meehan v. Snow, 652* F.2d at 276.

Under Fed. R. Civ. P. *55(c)* and Fed. R. Civ. P. 60(b), the Court may set aside entry of default or judgment by default for good cause shown. The determination to set aside default is entrusted to the discretion of the Court. *Hawaii Carpenters' Trust Funds v. Stone,* 794 F.2d *508, 513* (9th Cir. 1986). In determining whether good cause exists, courts generally look at three factors: (i) whether the party has engaged in culpable conduct that led to default; (ii) whether the party has a meritorious defense; or (iii) whether reopening default would prejudice opponent. *Franchise Holding II, LLC v. Huntington Rests. Group, Inc.,* 375 F.3d 922, 925-26 (9th Cir.2004). Further, where timely relief is sought and the Defendant has a meritorious defense, doubt, if any, should be resolved in favor of the motion for relief. *In re Roxford Foods, Inc.,* 12 F.3d 875, 879, 881 (9th Cir. 1993). Additionally, when the relief sought is from a mere entry of default, the Fed. R. Civ. P. 60(b) grounds for relief from judgment should be liberally interpreted. *Hawaii Carpenters,* 794 F.2d at 513; accord *Johnson v. Dayton Elec. Mfg. Co.,* 140 F.3d 781, 783 (8th Cir. 1998).

**RESPONDENT DID NOT ENGAGE IN CULPABLE CONDUCT**

Respondent did not intentionally default. Respondent did not file an answer to the Petition because it was not served with the Petition. More specifically, about five months ago, the Respondent moved from 1407 Broadway, New York, NY 10018, to 214 West 30th Street, Room 401, New York, NY 10018. The petition was mailed to 1407 Broadway, New York, New York; however, the Respondent no longer occupies such location. As a consequence, the Respondent did not become aware that a petition was filed until it received an advertisement on January 24, 2012 through a Monitoring Service which alerted the Respondent of the existence of the proceeding. Thereafter, the Respondent immediately changed the address with the TTAB and filed an answer as soon as practically possible.

If the Court does not have jurisdiction over the defendant, all subsequent proceedings are void. *(See Feinstein v. Bergner,* 48 N.Y.2d 234, 241 (1979); *Vega v. City of New York,* 194 A.D.2d *537* (2d Dep't 1993); *Ross v. Eveready Ins. Co., 156* A.D.2d *657* (2d Dep't 1989); *McMullen v. Arnone,* 79 A.D.2d 496, 499 (2d Dep't 1981). Such lack of service voids any Default Judgment that might be entered. Furthermore, when service is not proper, there is no jurisdiction over the defendant, and no need to decide the excuse for failing to appear or even whether there is a meritorious defense to the action. *European American Bank v. Legum,* 248 A.D.2d 206, 207 (1st Dep't 1998); *European American Bank & Trust Co. v. Serota,* 242 A.D.2d 363 (2dDep't 1997).

And if a genuine question is raised as to proper service, as in this case, the proper remedy is to direct a traverse hearing with regard to such service. *Ortiz v. Santiago, 303 A.D. 2d 1, 4 (1st Dep't 2003),* citing *European American Bank & Trust Co. v. Serota,* 242 A.D.2d at 363; *Akhtar v. Cavalieri, 255 A.D.2d 275* (2d Dep't 1998). Thus, at a minimum, a hearing should

be conducted to ascertain whether Petitioner effected service properly. However, because of the Consent of petitioner to the filing of a late answer , no hearing shall be required in this case.

Respondents further submit that Respondent's failure to file an answer was the result of reasonable mistake or excusable neglect. Where a party has not exhibited an intention to take advantage of the opposing party, nor attempted to interfere with the judicial decision making process, the failure to answer may be excusable. *TCJ Group Life Ins. Plan v. Knoeb-ber,* 244 F.3d 691, 697-98 (9th Cir. 2001).

**THE DEFENDANTS HAVE A MERITORIOUS DEFENSE**

When a meritorious defense exists, any doubts should be resolved in favor of setting aside the default, so the case may be decided on its merits. See, e.g., *Mendoza v. Wight Vineyard Mgmt.,* 783 F.2d 941, *945-946* (9th Cir. 1986). The defaulting party need not prove the defense for the Court to set aside the default; rather, the defense must merely be a legally cognizable defense and, if proven at trial, constitute a complete defense to the claims. See, e.g., *Keegel v. Key West & Caribbean Trading Co.,* 627 F.2d 372, 374 (D.C. Cir. 1980) (allegations of defense are meritorious if they contain 'even a hint of a suggestion" that, if proven at trial, would constitute complete defense); *Berthelsen v. Kane,* 907 F.2d 617, 621-22 (6th Cir. 1990) (likelihood of success on the merits is not the test, but rather the test is whether the party states a defense that is good at law).

The common law test for trademark infringement is whether the use of the trademark is likely to cause an appreciable number of consumers to be confused about the source, affiliation, or sponsorship of the goods or services.

Respondent has never claimed any affiliation with Petitioner, and the word Hybrid has been in public use long before Petitioner has applied for Hybrid as a Trademark. Therefore,

Respondent cannot be considered to have committed anything other than "nominal fair use" of the word Hybrid which has been in public domain for years, and no reasonable person would think that Respondent's goods or services are produced, endorsed, or otherwise affiliated with Petitioner or any of its subsidiaries. *See Century 21 Real Estate Corp. v. Lendingtree, Inc., 425* F.3d 211,76 U.S.P.Q.2d 1769 (2005), *and Avery Dennison Corp. v. Acco Brands, Inc.,* 1999 WL 33117262.

Respondent asserts that, at a minimum, that its acts constitute a nominal fair use even if the Petitioner can establish secondary meaning for the Logo Hybrid. Respondent does not offer evidence of its prospective invalidity defense as a responsive pleading; rather, Respondent offers the evidence only for the purpose of showing that it has a meritorious defense to the instant litigation. Respondents reserve the right to offer additional details of this defense, and to offer additional defenses, in other pleadings.

**THERE IS NO PREJUDICE TO THE PETITIONER**

As a preliminary matter, the Clerk has not yet entered any default against the Respondent but only noted a default; so there can be no prejudice against the Petitioner for denying the entery of a default judgment and the petitioner even consents to vacating the default and extending the time to answer.

More importantly, the prejudice to Petitioner must be something other than what would be experienced by an ordinary litigant. See, e.g., *TCI Group Life Ins. Plan,* 244 F.3d at 701 (merely being forced to litigate on the merits not considered prejudicial). The standard of prejudice is whether claimant's ability to pursue a claim will be hindered. *Id.* (to be prejudicial, setting aside of judgment must result in greater harm than simply delaying the resolution of the case). There is no evidence in the instant case that denying the motion to enter default judgment will hinder the

Petitioner's ability to pursue its claim against the Defendants.

Additionally, Prejudice to the opposing party may not come from delay alone or from the fact that the opposing party will be allowed to defend on the merits. See *Dayton,* 140 F.3d 781. Instead, prejudice must come from loss of evidence, increased difficulties in discovery or greater opportunity for fraud or collusion. See *id.* (citing *Berthelsen v. Kane,* 907 F.2d 617, 621 (6th Cir. 1990)). In the instant case, there is no indication that evidence will be lost, nor is there any increased difficulties in discovery, or greater opportunity for fraud or collusion especially in light of the fact that the instant case is at its infancy; the case was commenced 11/23/2011, less than Three months ago, and service by mail was not allegedly complete on Respondent until 11/28/2011, less than three months ago.

**ENTRY OF DEFAULT JUDGMENT WOULD UNREASONABLY PREJUDICE THE RESPONDENT**

If a default judgment is entered, the Respondent will suffer a monetary loss without ever having the chance to litigate the issues on the merit. Therefore, notice of default should be vacated and a default judgment must not be entered.

**PETITIONER HAS NOT SUBMITTED SUFFICIENT ADMISSIBLE EVIDENCE TO SUSTAIN ITS BURDEN OF PROOF.**

Petitioner has not submitted sufficient evidence to sustain the burden of proving i) that the Petitioner has a viable trademark ii) that it has developed an extensive secondary and distinctive meaning in the trademark iii) that the Respondent continuously intended to confuse, mislead, and deceive the public that their services are associated with the Petitioner, iv) that doing business under the Mark "Hybrid & Company" dilutes the distinctiveness of Petitioner's Logo v) that the Respondent's Mark causes likelihood of confusion in the marketplace, vi) that doing

business using the Mark Hybrid & Company has damaged and continues to damage the Petitioner, vii) that the Respondent received benefits from using their Mark which they would not have received but for the existence of the Petitioner's Logo.

## OTHER MERITORIOUS DEFENSES

Petitioner failed to oppose the Respondent's Mark throughout its application and registration process. The Petitioner has effectively acquiesced to the rights of the Respondent and cannot now contest those rights in this proceeding. Additionally, the Respondent filed its trademark application to register the Mark two years and 8 months before the Petitioner filed its own trademark application and the Respondent's Mark was registered for more than one year and two months before the Petitioner's filing of its application. The Respondent was not aware of the Petitioner and that it was using the logo "Hybrid". Since the filing of Respondent's application, the Petitioner waited for more than three and half years to commence the instant proceeding; throughout the interim period, the Respondent invested lots of money and resources into developing the goodwill of its Mark. Accordingly, the Petitioner must be barred from seeking cancelation of the Mark under the doctrine of lachers, estopples, and unclean hands.

## CONCLUSION

Default judgments are highly disfavored. The standards for setting aside a default before entry of default judgment are much more liberal than after entry of a default judgment. Petitioner has not presented any admissible evidence of the validity of its claims. In addition, entry of default judgment would severely prejudice Respondent due to the existence of multiple meritorious defenses, while vacature of default will not prejudice the Petitioner. The parties are engaged in negotiation to reach an amicable resolution, and the Petitioner consents to extend the time to answer. This motion is made in good faith without any intention of causing a delay in this

proceeding. Wherefore, for the reasons stated and the good cause shown herein, Respondent respectfully requests that this Court exercise the discretion afforded the Court under Federal Rules of Civil Procedure *55(c)* and 60(b)(1) and to vacate the notice of default and oppose the entry of default judgment and allow the filing of a late answer.

Respectfully submitted,

LAW OFFICE OF MORRIS FATEHA, P.C.
Dated: February 29, 2012

By: /S/

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**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the forgoing Respondent's motion to vacate notice of default and oppose entry of default judgment was served on counsel for petitioner, this 29th day of February, 2012, by sending the same via First class mail and Email service, to

Christa D. Perez
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19800 MacArthur Blvd. Suite 1100
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_____/s/_____
Morris Fateha, Esq.
Attorney for Respondent